

Medical Pharmacy Claims Billing: NDC Requirements and Policy Guidance

April 2020 Update

Alaska Medicaid is enhancing front-end claims processing of medical pharmacy claims following an extensive review of claims submitted for physician-administered drugs. Outpatient drugs are not covered or eligible for reimbursement unless they are eligible to receive Federal Financial Participation (FFP) which requires states to invoice manufacturers for federal rebates. Billing discrepancies impacting accurate reporting of NDC units impair the state's ability to comply with this federal law. The enhanced claims processing edits are necessary to identify these claims during adjudication rather than post-payment review processes. Front-end claims processing edits are intended to decrease administrative burden by notifying providers of the discrepancies earlier.

To identify billing discrepancies during claims adjudication, the following exception codes were developed and will be implemented beginning April 25, 2020. As part of the implementation, the State of Alaska will monitor these exceptions for 30 days. Conduent will outreach to providers with claims posting the new exceptions during these 30 days to educate on how to correct the error. After 30 days, the following disposition will be set for each new claim exception and the claim will either "deny" or "suspend" as noted.

- **4731 Deny:** The submitted procedure code is not otherwise classified (NOC), the submitted NDC is on the NDC crosswalk table, and no valid entry for the submitted procedure code is found.
- **4733 Suspend:** The submitted procedure code is NOC, the submitted NDC is on the NDC crosswalk table, and there is an entry for the submitted procedure code. Additionally, the date of service (DOS) is not within begin and end dates on the crosswalk table or there is no entry for any procedure code. Exception will suspend and recycle for 60 days.
 - **4735 Deny:** The claim originally suspended under EC 4733; claim denies after 60 days.
- **4741 Deny:** The submitted procedure code is NOT NOC, the submitted NDC is on the NDC crosswalk table, and there is not a valid entry for the submitted procedure code. However, there is an entry for the submitted procedure code. Exception will deny after 60 days.
- **4743 Suspend:** The submitted procedure code is NOT NOC, the submitted NDC is on the NDC crosswalk table, and there is an entry for the submitted procedure code. Additionally, the DOS is not within begin and end dates on the crosswalk table or there is no entry for any procedure code. Exception will suspend and recycle for 60 days.
 - **4745 Deny:** The claim originally suspended under EC 4743; claim denies after 60 days.
- **4751 Suspend:** The submitted NDC and procedure code are affiliated on the NDC crosswalk table but they have an invalid conversion factor.
- **4752 Deny:** The submitted NDC quantity multiplied by the crosswalk conversion factor (rounded up to nearest whole number) is not equal to the submitted procedure quantity.
- **4753 Deny:** The submitted NDC quantity is greater than the calculated NDC maximum units.

Background

The Deficit Reduction Act of 2005 (DRA) included specific data submission requirements necessary to collect Medicaid drug rebates from drug manufacturers for physician-administered drugs. Additionally, Social Security Act Section 1927 requires state drug rebate participation. State Medicaid programs must gather and submit drug utilization information in order to secure drug rebates and receive Federal Financial Participation (FFP) for these drugs.

For more information on the Medicaid Drug Rebate program, visit <https://www.medicaid.gov/medicaid/prescription-drugs/medicaid-drug-rebate-program/index.html>.

Alaska Medicaid outpatient drug regulations can be found at [7 AAC 120.110 Covered Outpatient Drugs and Home Infusion Therapy](#).

Alaska Medicaid drug payment regulations can be found at [7 AAC 145.400 – 7 AAC 145.410](#).

Applicability

Drug rebates are applicable to:

- Claims for medications administered in physician’s offices, clinics, and other outpatient settings, including Medicare part B and C crossover claims.
- NDC information used in conjunction with appropriate HCPCS/CPT codes for rendered services.
 - NDC codes should be used with “A”, “C”, “J”, “P”, “Q”, and “S” codes.
 - Though not all-inclusive, providers may refer to the NDC/HCPCS Crosswalk at <https://www.dmeptac.com/palmetto/PDAC.nsf/DID/B723CU33> to determine the appropriate HCPCS code for the NDC being used.

Drug rebates are not applicable to:

- IHS and tribally operated 638 facilities reimbursed at the federally published all-inclusive rate.
- ESRD bundled claims unless modifier "AY" is used to indicate an item or service rendered to an ESRD patient is not for treatment of ESRD.

Guidelines for Reimbursement

To correctly identify the drugs and manufacturers to invoice and collect rebates, the Centers for Medicare and Medicaid Services (CMS) deemed that the use of NDC numbers is critical because there often several NDCs linked to a single HCPCS code.

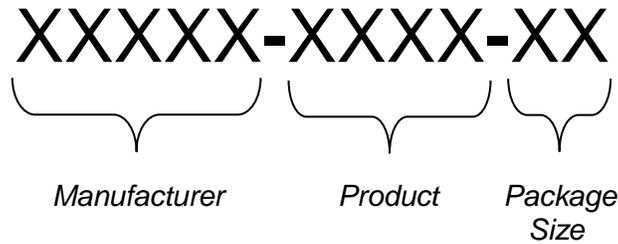
- Alaska Medicaid will pay claims submitted for these drugs only if the manufacturer participates in the Federal Drug Rebate program and federal matching funds are available.
 - Quarterly Drug Rebate listings are available on the CMS website <https://www.medicaid.gov/medicaid/prescription-drugs/medicaid-drug-rebate-program/data/index.html>.
- Bill the National Drug Code (NDC) for the actual drug that is administered.
- Record the NDC into the patient record.
- Do not use a miscellaneous code if a specific HCPCS-NDC match is available.

Finding NDC information

The NDC is found on the prescription drug label of the drug container (e.g. vial, bottle or tube). The NDC is a universal number that identifies a drug or a related drug item.

Deciphering the NDC Label

NDC consists of 11 digits in three sections:



Sometimes, the NDC on a product label does not include all 11 digits. When this occurs, it will be necessary to add leading zeroes to the appropriate section to create the 5-4-2 configuration. Record NDCs on your claims without hyphens or spaces.

NDC Label Examples

	Example #1	Example #2	Example #3
Product label indicates:	54225-1798-29	452-72-89	45-6-9
Submit on claim as:	54225179829	00452007289	00045000609

NDC Units

Acceptable units of measure for recording NDC quantities are as follows:

Code	Unit Type	Description
UN	Unit	Powder for injection (needs to be reconstituted), pellet, kit, patch, tablet, device
ML	Milliliter	Liquid, solution, or suspension
GR	Gram	Ointments, creams, inhalers, or bulk powder in a jar
F2	International Unit	Products described as IU/vial or micrograms

Billing Note

Milligram (mg) is **not** an acceptable unit qualifier when billing NDC quantities.

All administered drugs must be converted to one of the listed units of measure for billing.

Converting NDC Units to HCPCS Units

Providers are required to submit the NDC unit of measure and actual units administered as well as the HCPCS equivalent units on the claim form. Actual NDC units administered does not include vial wastage. The requirement is the same for Medicaid and Medicare crossover claims. Providers must identify the NDC, unit of measure, amount administered, the NDC strength, HCPCS code and HCPCS unit of measure.

Billing Note

NDCs must be billed with the corresponding HCPCS based on description and quantity administered.

Claims may be denied if a misc. HCPCS code is billed when an appropriate NDC to HCPCS match exists.

Example

The NDC unit of measure for 60793070010 is mL and 1 mL was administered. The NDC strength equals 600,000 iU per mL. The corresponding HCPCS code, J0561, is measured at 100,000 iU per billed unit.

In this example, 1mL of this NDC equals 6 units of J0561.

$$\frac{(NDC\ Strength) \times NDC\ Administered}{HCPCS\ Units\ of\ Measure} = HCPCS\ Billed\ Units$$

$$\frac{(600,000\ iU/mL) \times 1mL}{100,000\ iU} = 6\ Billed\ Units$$

The following information would be reported on the claim form for this NDC:

Description	Example Value
N4 qualifier	N4
11-digit NDC number from the drug label	60793070010
NDC unit of measure	mL
NDC units administered Note: Insert a decimal when reporting a fraction of a unit up to three decimal places.	1 or 1.000
Corresponding HCPCS codes	J0561
HCPCS units	6
Drug revenue code (<i>institutional claims only</i>)	0636

Billing Note

Decimals must be used on all Medicaid and Medicare claims when billing a fraction of an NDC unit.

Partial units billed without a decimal may be denied for excessive units.

CMS-1500 Claim Form

Record the NDC information in the shaded area above the claim line in field 24.

24. A. DATE(S) OF SERVICE		B. PLACE OF SERVICE	C. EMG	D. PROCEDURES, SERVICES, OR SUPPLIES (Explain Unusual Circumstances)		E. DIAGNOSIS POINTER	F. \$ CHARGES	G. DAYS OR UNITS	H. ICD-9-CM PROCEDURE CODE	I. ICD-9-CM QUAL	J. RENDERING PROVIDER ID #				
From	To	MM	YY	MM	YY	CPT/HCPCS	MODIFIER								
N460793070010ML1															
10	01	17	10	01	17	11	J0561			A	12 00	6	N	G2	12345678901
															0123456789

UB-04 Claim Form

Record the NDC information in the **Description** field, form locator 43.

42 REV. CD.	43 DESCRIPTION	44 HCPCS / RATE / ICD-9-CM CODE	45 SERV. DATE	46 SERV. UNITS	47 TOTAL CHARGES
0636	N460793070010ML1.000	J0561	100117	6	12 00